

JLC Position Paper
PERMIT VIRGINIA RESIDENT SERVICEMEMBERS TO PLACE A “FREEZE” ON THEIR CREDIT FILES

1. **ISSUE:** To provide the authority for Virginia domiciled service members (and their spouses) to prevent either the unauthorized release of credit information or the creation of unauthorized credit accounts.
2. **BACKGROUND:**
 - Identity theft is a major problem that is growing at an accelerating rate. The massive loss of personal data by the VA, the loss of Naval Aviator personal data, the loss of TRICARE personal information, and numerous other breaches of files containing the personal data highlight the magnitude and threat of this growing crisis to military personnel.
 - The damage to service members resulting from stolen credit card numbers (and related data) is mitigated by limits of liability (if promptly reported) under Federal Law (the Fair Credit Reporting Act and the Fair and Accurate Credit Transaction Act). There is no Federal Law that protects service members against the establishment of fraudulent credit accounts (new credit cards, vehicle loans, mortgages, etc.).
 - It is difficult, at best, and almost impossible in the case of combat deployed service members, to monitor their credit report status. It is unlikely that deployed service members would be able to take remedial action for a stolen financial identity.
 - The result of credit identity theft, much like the trauma of a violent crime, will cause personal hardship for deployed service members and their families. It will also lead reduced individual effectiveness and to the suspension or cancellation of security clearances.
 - A “credit freeze” is the most effective method to preventing the theft of a financial identity. Neither credit monitoring (very difficult while deployed) nor a fraud alert will prevent the establishment of new credit accounts by an identity thief.
3. **DISCUSSION:**
 - At least 23 state legislatures have enacted various forms of “credit freeze” legislation. Some of these are implemented only after an identity theft has occurred (and are of little benefit to deployed service members). Some have modest fees to freeze and unfreeze accounts.
 - Additional state legislatures are considering legislation to permit residents to request a “credit freeze.”
 - Our Virginia General Assembly has previously considered “credit freeze” legislation. Most recently, during the 2007 session seven bills were introduced (4 in the House and 3 in the Senate); however, no legislation was passed. During the last six months the services have identified identity theft as important personnel issues; therefore reintroduction of “credit freeze” legislation is warranted.
 - Del. Harvey Morgan (Chair of the House Banking Committee) has agreed to support a “credit freeze” objective item and asked for my assistance.
4. **RECOMMENDATION:** That the Governor and General Assembly enact legislation that will permit Virginia domiciled service members (and their spouses) to place a freeze on their credit files.